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Borrowed Wealth: How the Canada Strong Fund Repeats Other Countries' Mistakes

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On April 27, 2026, Mark Carney unveiled the Canada Strong Fund, a C$25-billion investment vehicle billed as Canada's first national sovereign wealth fund, modelled on Norway's oil fund.[1] Before the money starts to flow, however, this description deserves some scrutiny.

A sovereign wealth fund *saves a surplus*. Norway banks excess oil revenue, invests it abroad at arm's length, and caps by law what any government may withdraw.[2] The Canada Strong Fund, in contrast, has no surplus to save. Its capital will be borrowed and its deployment directed toward sectors chosen in Ottawa. But an institution that borrows money to channel into government priorities amounts to a state lending bank wearing the branding of a wealth fund. Canada is not the only country to dress the second institution in the clothes of the first. The record of that model is as long as it is poor.[3]

CANADIANS' EARNED SKEPTICISM

State-directed investment is only ever as good as the incentives of the people who run it, and public choice theory predicts that those incentives will disappoint as politicians chase visible wins with public money, as agencies want ever larger budgets, and as concentrated interests organize to capture the flow through rent-seeking. Industrial policy magnifies all of these failures, something Canada has already learned the hard way.

Ottawa and Quebec together committed up to C$7.3 billion in taxpayer support to Northvolt's battery plant, only to watch the company go bankrupt in March of 2025, before the plant was built.[4] Quebec wrote off its C$270-million investment when it declared the project dead in September 2025. When the province's auditor general reported on the battery sector in June 2026, the economy ministry's own response put losses across the sector at C$375 million by March 2026, with 95% of these losses linked to just two projects. The auditor warned then that the full cost to taxpayers will not be known for years.[5]

Canadians have noticed all this. In an MEI-Ipsos poll published in July 2026, 66% of respondents said that corporate subsidies cost too much for the results they deliver.[6] Public skepticism extends to the fund itself. In the same poll, 58% of respondents opposed borrowing C$25 billion to finance the creation of a sovereign wealth fund, with just 20% in support.[7] The doubt is well founded. The federal government still projects a C$65.4-billion deficit for the current fiscal year, which means that every dollar the fund deploys will be a borrowed dollar, added to the federal debt before it has earned anything at all.[8]

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THE RECENT BRITISH EXPERIENCE

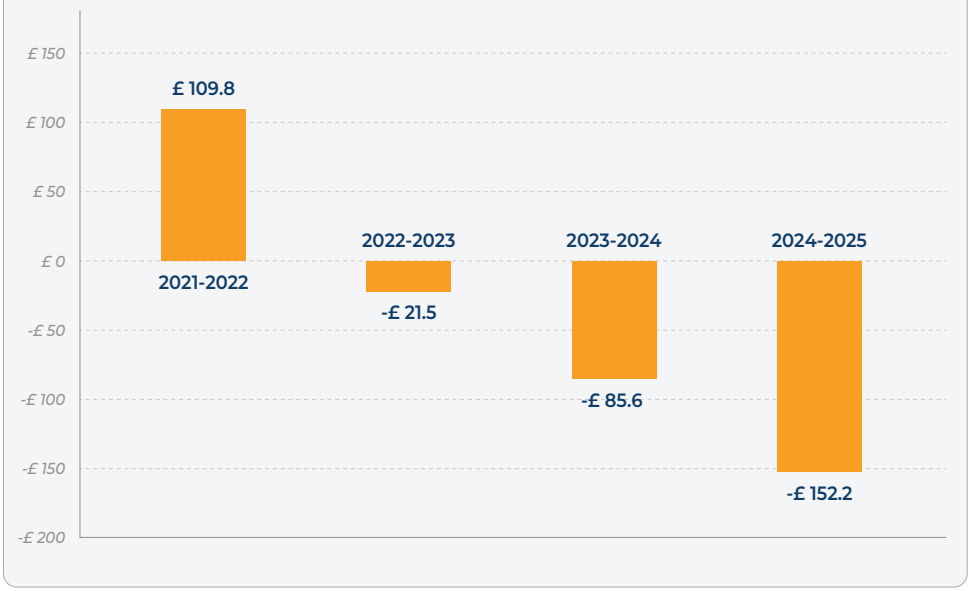
The sharpest warning, though, comes from the country Carney recently left, because Britain has already run the precise play now proposed for Canada. In July 2024, Britain's new Chancellor, Rachel Reeves, announced a National Wealth Fund with £7.3 billion of fresh capital, promising to unlock more than £20 billion in private investment, i.e., three pounds of private money for every public pound committed.[9] The blueprint was shaped by a taskforce convened under the Green Finance Institute, and among its members was Mark Carney. In other words, two years before pitching a sovereign wealth fund to Canadians, Carney advised on Britain's version of the same idea.

What Britain really got was a renaming ceremony. The vehicle behind the announcement was UK Infrastructure Bank Limited, a state lender originally launched in June of 2021, which was renamed the National Wealth Fund Limited on October 14, 2024, and simply carried on its activities.[10] The institution takes in no resource revenue, and neither a savings mandate nor any withdrawal rule constrains the government that owns it.

The House of Commons Treasury Committee, reporting in October 2025, put it plainly: the National Wealth Fund "is not a conventional wealth fund." The committee observed that it is financed by government debt rather than by revenues banked for future generations, and warned that the very name risked misleading the public.[11] The government's own response describes an institution deploying equity, debt, and guarantees, which is the product set of a bank, and confirms that the £7.3 billion announced with great fanfare had become £5.8 billion layered onto the £22 billion the old bank already held.[12] The fund's own annual report settles the taxonomy, describing the institution as the government's principal investor and policy bank.[13]

FIGURE 1

Profits and losses of the UK Infrastructure Bank / National Wealth Fund, millions of £



Sources: National Wealth Fund Limited, *Annual Report and Accounts 2024–2025*, October 30, 2025, pp. 7, 11, audited by the National Audit Office; UK Infrastructure Bank Limited, *Annual Report and Accounts 2022-23*, October 25, 2023, pp. 20–25.

The record matches the design. The National Audit Office found in 2022 that the bank had been created at such a speed that "important planning steps were skipped."[14] The Public Accounts Committee found in 2023 that it had not set out how it would measure and report its own performance, and that skill shortages had confined it to low-risk deals that private lenders could have financed anyway.[15]

The audited accounts show losses in three out of its four years of trading: £85.6 million before tax in 2023-24 and £152.2 million in 2024-25, dismal returns on equity of –10.7% and –14.2% respectively (see Figure 1). They also describe the single profitable year as anomalous, the product of a one-off gain.[16]

The auditor's report is franker still: the majority of the portfolio is sub-investment grade; the 2024-25 loss overshot the fund's own budget owing to trouble in digital infrastructure, where it concedes a concentrated exposure; and provisions for credit losses more than tripled in a single year, from 1.3% to 4.3% of exposures. This is described as an early sign that defaults may become more likely.[17]

Its own head of internal audit gave a "limited" annual opinion for 2024-25, finding that weaknesses existed in governance, risk management, and internal controls in the very year of the transition, and that by the Board's own assessment the fund does not yet fully comply with the Orange Book, the government's mandatory risk framework.[18] This warning crystallized within months, when lenders including the National Wealth Fund took control of the broadband provider Gigaclear in April 2026 after writing off roughly 40% of its debts, a restructuring that left the taxpayer as the largest shareholder of a distressed rural internet company.[19]

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None of these failures dented rewards *inside* the fund, where, for the same year, the remuneration committee somehow judged firm-wide delivery against its performance indicators to be strong. Long-term incentive awards were performance-adjusted to 77.5%, bonuses of two months' salary were paid to eligible staff, and the departing chief

executive's audited pay sat in the band of £550,000 to £555,000.[20]

The chief executive told the Treasury Committee that success would mean reaching the point where the fund is no longer a drain on the taxpayer.[21] At present, even that prospect looks distant, by the Treasury's own arithmetic. Budget costings project returns of £135 million by 2029-30 on the £5.8 billion of new capital, a profit of roughly 2%.[22] Delivery also lags the promise: the government's January 2026 response reports £3.8 billion committed and £5.3 billion in private finance mobilized since launch (roughly 1.4 to 1 against the 3-to-1 pledged),[23] and after four years the fund has committed only £5.4 billion of its £27.8 billion in capital.[24]

Admittedly, the fund is young, early losses were budgeted for, and the ratios may improve. Yet, where a wealth fund compounds savings, this one consumes them. Canadians are entitled to ask why the Canada Strong Fund—which shares the borrowed capital, the political direction and the dodgy Norwegian branding—should be expected to behave differently.

AN OLD PATTERN

None of this should surprise anyone in Whitehall, because Britain has been running similar experiments for sixty years, and the pattern repeats each time. Concorde was committed to in 1962 to dominate civil aviation. By 1966, the Public Accounts Committee was told that the government expected to recover no more than a third of the development costs, even on optimistic sales estimates. By 1973, ministers refused to give the committee estimates of the sales price, production costs, or likely orders, citing commercial sensitivity, while officials privately believed that publishing the figures would doom the project. Finally, in 1974, the government conceded that none of the development money would come back and that production would lose still more. Only then, once the costs were revealed, did public opposition surge. The economist David Henderson judged it "one of the worst public investment decisions ever made."[25]

The sequel was no better. The National Enterprise Board, created in 1975 with over £1 billion of public capital to turn around ailing companies and back the winners of the future, reported a net loss of £40.3 million in 1978 alone and was merged out of existence by 1981. British Steel, instructed by ministers to break even in 1980-81, instead lost £660 million that year, whereupon the government wrote off £3.55 billion of public money owed by the corporation and advanced a further £730 million.

The subsidy then bred its own demand. The association of private steelmakers, watching their subsidized rival, lobbied for support of their own and got it. The Department of Industry's budget doubled between 1977-78 and 1981-82 under a government elected to shrink it.[26] Though the state investment vehicles kept changing names, the incentives underneath persisted.

Meanwhile, in neighbouring Ireland, the transformation of the National Pensions Reserve Fund into the Ireland Strategic Investment Fund had significant policy and political implications, reflecting a shift in the Irish government's priorities following the global financial crisis and the Eurozone debt crisis. It was sold to the people as a sovereign wealth fund and then switched to an "investment fund" offloading assets and, more importantly, liabilities.[27]

> **Governance, withdrawal discipline, and disclosure: these are the standards that separate a fund that compounds national wealth from one that is quietly raided.**

None of this is because good governance is a mystery. The Santiago Principles, drawn up in 2008 by the founding members of the International Forum of Sovereign Wealth Funds, set out twenty-four accepted standards covering a fund's legal framework, institutional independence, and disclosure and accountability. Member funds publish self-assessments against these standards.[28] Norway's fund operates under a legislated fiscal rule. The Canada Strong Fund, in contrast, has been announced with no commitment to these standards, or to any others (see Table 1).

Industrial policy is all the rage, but as a growing body of scholarship documents, its record is one of consistent failure.[29] Money is committed with great fanfare, losses go unstated and unpublished, and audits reveal financial indiscretions, all without the awareness of the general public, who ultimately need to pay for it all. Yet, this is the direction the government is moving in with the Canada Strong Fund.

TABLE 1

Government investment promises vs. results, Norway, the U.K., Ireland, and Canada

Initiative (launched)	The promise at launch	The record
Government Pension Fund Global · Norway (1990)	Bank surplus oil revenue for future generations, with annual withdrawals capped by a fiscal rule.	Over US$2 trillion in assets as of 2026 – the benchmark every other fund invokes.
Concorde · United Kingdom (1962)	Anglo-French supersonic jet, with costs shared, to dominate civil aviation.	Parliament told in 1966 that at most a third of development costs would be recovered. By 1974 the government conceded none would be. Judged one of the worst public investment decisions ever made.
National Enterprise Board · United Kingdom (1975)	State holding company with over £1 billion to turn around ailing firms and back future winners.	Net loss of £40.3 million in 1978 alone. Merged out of existence in 1981.
National Pensions Reserve Fund · Ireland (2001)	1% of GNP saved by law each year, with no withdrawals permitted before 2025.	Statutory lock legislated away in 2009. €20.7 billion directed into two banks. €3.7 billion in unrealized losses recorded by the state auditor in 2010 alone. Fund dissolved into a domestic strategic vehicle in 2014.
National Wealth Fund · United Kingdom (2024)	£7.3 billion of new capital to unlock more than £20 billion in private investment, at £3 private for every £1 public.	The UK Infrastructure Bank (2021), renamed, with £5.8 billion added. Found by the Treasury Committee to be "not a conventional wealth fund." Losses in three of four years of trading, with a −14.2% return on equity in 2024-25 and a "limited" internal audit opinion on governance, risk and controls. £3.8 billion committed and £5.3 billion mobilized by late 2025 – roughly 1.4 to 1.
Canada Strong Fund · Canada (2026)	C$25 billion, billed as Canada's first national sovereign wealth fund, modelled on Norway.	Governance, withdrawal discipline, disclosure: committed to nothing yet.

Notes: Each row states the initiative's founding purpose as announced or legislated, set against outcomes documented in official sources (legislation, auditor and parliamentary committee reports, audited annual accounts) supplemented for the two historical UK cases by published studies drawing on parliamentary and archival records. The UK National Wealth Fund's financial results and return on equity are from its own audited accounts, and the figures on capital committed and private finance mobilized are the government's own. The Canada Strong Fund row reflects the absence, as of this writing, of any published governance framework, withdrawal rule, or disclosure standard.
Sources: See notes 1, 2, 11, 12, 13, 25, 26, and 27.

Governance, withdrawal discipline, and disclosure: these are the standards that separate a fund that compounds national wealth from one that is quietly raided. The Canada Strong Fund has so far committed to none of these. Norway's fund compounds because a fiscal rule binds it. Ireland's was commandeered because its statutory lock was legislated away, and Britain's National Wealth Fund is a lending bank wearing the name of a fund. Canada's bigger pool of borrowed, politically-directed capital, run on the same terms, will not break the pattern of failure.

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